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BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

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IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
A HEARING TO DETERMINE THE FAIR)
VALUE OF THE UTILITY PROPERTY OF)
THE COMPANY FOR RATEMAKING)
PURPOSES, TO FIX A JUST AND)
REASONABLE RATE OF RETURN THEREON,)
TO APPROVE RATE SCHEDULES DESIGNED)
TO DEVELOP SUCH RETURN, AND FOR)
APPROVAL OF PURCHASE POWER)
CONTRACT.)

DOCKET NO. E-01345A-03-0437

**NOTICE OF FILING PREFILED
TESTIMONY IN SUPPORT OF
PROPOSED SETTLEMENT OF
ARIZONA PUBLIC SERVICE
COMPANY REQUEST FOR
RATE ADJUSTMENT**

Pursuant to the Administrative Law Judge's Amended Procedural Order, the undersigned counsel hereby submits the Prefiled Testimony of Bruce Wertz on behalf of Dome Valley Energy Partners LLC, a signatory to the Proposed Settlement of Arizona Public Service Company Request For Rate Adjustment in Docket No. E-01345A-03-0437.

RESPECTFULLY SUBMITTED this 27th day of September, 2004.

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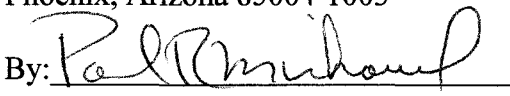
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PREFILED TESTIMONY OF BRUCE WERTZ
ON BEHALF OF
DOM VALLEY ENERGY PARTNERS LLC
IN SUPPORT OF
PROPOSED SETTLEMENT
OF
DOCKET NO. E-01345A-03-0437
ARIZONA PUBLIC SERVICE COMPANY
REQUEST FOR RATE ADJUSTMENT

SEPTEMBER 27, 2004

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Bruce Wertz. My business address is Carolina Research Park, 111 Research Drive, Columbia, South Carolina 29203.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Dome Valley Energy Partners LLC ("Dome Valley"). Dome Valley is an intervenor in the Arizona Public Service Company Rate Request Proceeding ("APS Rate Request Proceeding").

Q. What is your connection to Dome Valley Energy Partners LLC?

A. I am Dome Valley's Executive Vice President.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (1) describe Dome Valley and why it intervened in the APS Rate Request Proceeding; (2) describe the scope of Dome Valley's participation in the APS Rate Request Proceeding settlement process; and (3) explain why Dome Valley agreed to be a signatory to the Proposed Settlement of APS Request for Rate Settlement ("Proposed Settlement").

II. WHO IS DOME VALLEY AND WHY DID IT INTERVENE IN THE APS RATE REQUEST PROCEEDING?

Q. Who is Dome Valley Energy Partners LLC?

A. Dome Valley is the developer and investor in the Wellton-Mohawk Generating Facility. The Wellton-Mohawk Generating Facility is a proposed 520 MW gas-fired, combined-cycle, electric generating facility to be located in APS' service territory near Yuma, Arizona. The Wellton-Mohawk Generating Facility is unique among any proposed or existing power plants in Arizona because, in addition to fossil fuel generated power and energy, it will generate substantial amounts of low cost renewable solar energy and credits under Arizona's Environmental Portfolio Standard ("EPS"). The Wellton-Mohawk Generating Facility will also interconnect directly into the Yuma Load Pocket assisting in relieving transmission constraints plaguing the Yuma area.

Q. Has the Wellton-Mohawk Generating Facility been certificated by the Arizona Power Plant and Transmission Line Siting Committee and the Arizona Corporation Commission?

A. Yes. In June 2003, the Arizona Power Plant and Transmission Line Siting Committee ("Siting Committee") voted unanimously (10-0) to grant Dome Valley Energy Partners LLC a Certificate of Environmental Compatibility ("CEC") to construct the Wellton-Mohawk Generating Facility near Yuma, Arizona. In August 2003, the Commission voted unanimously (5-0) to affirm the Siting Committee's decision to grant Dome Valley a CEC to construct the Wellton-Mohawk Generating

1 Facility. A copy of the Commission's August 15, 2003, News Release regarding its
2 approval of the Wellton-Mohawk Generating Facility CEC is attached to this
3 testimony as **Attachment 1**.
4

5
6 **Q. Why did Dome Valley Energy Partners LLC intervene in the APS Rate**
7 **Request Proceeding?**

8 A. Dome Valley intends for the Wellton-Mohawk Generating Facility to be
9 constructed to provide reliable wholesale power supply to electric distribution
10 utilities in Arizona. APS is Arizona's largest electric distribution utility. The
11 Wellton-Mohawk Generating Facility will be located in APS' service territory
12 in the Yuma Load Pocket. Thus, it makes sense that Dome Valley intends to
13 offer wholesale power to APS for distribution to the utility's customers in the
14 Yuma area. As such, Dome Valley intervened in the APS Rate Request
15 Proceeding to advocate for APS to procure power, including long-term power,
16 from the competitive wholesale power market as originally contemplated in
17 the Retail Electric Competition Rules and the subsequent Track B proceeding.
18 Because the Wellton-Mohawk Generating Facility will also generate a large
19 amount of renewable energy and credits under Arizona's EPS, Dome Valley
20 also intervened in the APS Rate Request Proceeding to advocate procurement
21 measures that would create a robust renewable energy market in Arizona.
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2 **III. SCOPE OF DOME VALLEY'S PARTICIPATION IN THE APS RATE**
3 **REQUEST SETTLEMENT PROCESS**

4 **Q. Please describe the scope of Dome Valley's participation in the APS Rate**
5 **Request settlement process.**

6 A. Although the APS Rate Request includes dozens of issues, Dome Valley's
7 participation in the APS Rate Request settlement process was limited to only
8 two issues; (1) competitive procurement of long-term wholesale power; and
9 (2) development of a robust renewable energy market. Because Dome
10 Valley's headquarters is out-of-state and its interest in the APS Rate Request
11 Proceeding was limited to only two issues, rather than actively participate in
12 each and every one of the dozens of settlement meetings held over the five
13 month settlement process, Dome Valley opted to participate in the settlement
14 process by carefully reviewing the various settlement offers presented in the
15 settlement negotiation process and providing feedback as appropriate via e-
16 mail and telephone correspondence.
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20 **IV. WHY DOES DOME VALLEY SUPPORT THE PROPOSED SETTLEMENT?**
21

22 **Q. Why did Dome Valley Energy Partners LLC agree to become a signatory to the**
23 **Proposed Settlement of APS Request for Rate Adjustment?**

24 A. Dome Valley agreed to be a signatory to the Proposed Settlement for two reasons.
25 First, in the Proposed Settlement, APS generally agrees that it will not self-build new,
26 large, central station generation with an in-service date before 2015. APS also agrees
27 to issue an all sources RFP, or other competitive solicitation, no later than the end of
28

1 2005 to procure long-term power of not less than 1,000 MW for 2007 and beyond.
2
3 No affiliate of APS will participate in this procurement. Dome Valley believes that
4 the above commitments by APS will ensure the opportunity for a robust competitive
5 wholesale power competition process in Arizona. Second, in the Proposed
6 Settlement, APS agrees to issue a RFP in 2005 seeking at least 100 MW and 250,000
7 MWhrs per year of renewable energy supply. Dome Valley believes that this is a big
8 step to expanding the competitive renewable energy market in Arizona.
9

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11 **Q. Does Dome Valley believe that the Commission should approve the Proposed**
12 **Settlement?**

13 A. Yes. Based on the testimony provided above, Dome Valley supports the Proposed
14 Settlement and urges the Commission to approve the Settlement Agreement.
15

16 **Q. Does this conclude your Prefiled Settlement Testimony?**

17 A. Yes.
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COMMISSION NEWS

Arizona Corporation Commission

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August 15, 2003

WELLTON MOHAWK GENERATING FACILITY APPROVED **Will Bolster Yuma Power Supply to Avoid Outages**

PHOENIX – On Wednesday, Arizona regulators took another step to bolster the state's power system by approving the Wellton Mohawk Generating Facility. The project will fill an important need in the power grid once it begins producing power – expected to be in 2006 or 2007.

The power plant is strategically situated east of Yuma, Arizona, near the town of Wellton. The Yuma area is one of three zones identified as "transmission constrained" in a 2001 study of Arizona's power and transmission infrastructure. The area inside a transmission constraint is often referred to as a "load pocket."

The Wellton Mohawk plant earned approval of the Commission for a variety of other reasons. Most importantly, the approval included 29 separate conditions designed to protect the environment, ecology and water supply of the state.

"What excites me about the project is that it includes a 60-acre solar field that will produce supplemental power for the plant," Commissioner Bill Mundell said. "The solar panels will power the inlet cooling system. This drops the air temperature going into the turbines. When the air is cooled, the turbines run more efficiently and that produces more power with less fuel and lower emissions."

The plant will be developed by Dome Valley Energy Partners LLC, joint venture of Primesouth of South Carolina and Jasper Energy of New York. Two other partners are also involved, The Yuma County Water Users Association and the Wellton Mohawk Irrigation and Drainage District.

The first phase of the natural gas-fired project involves construction of a 260 megawatts (MW) unit capable of producing up to 310 MW at peak performance. The second phase, to be constructed later, will add another unit with the same output.

"No groundwater will be pumped to run the plant," Commissioner Jeff Hatch-Miller added. "The Wellton Mohawk Irrigation and Drainage District will supply all the water necessary to run the plant from their supply of surface water."

Commissioner Jim Irvin asked about where the plant will acquire the natural gas it needs to generate power. "Company representatives have several alternatives, including drawing natural gas from a gas pipeline that passes through the northern Baja peninsula," Irvin said. "The developers are looking at alternatives that don't involve tapping into the El Paso line that supplies most of Arizona's gas."

Federal regulators recently moved to limit the amount of natural gas Arizona can draw from the El Paso line.

"Clearly, one of Arizona's most pressing needs is to diversify its fuel supply to ensure that we do not remain captive to one source," Chairman Marc Spitzer said. "We don't produce or store natural gas in Arizona so we have to look to ways to attract new gas suppliers or get serious about storage projects."

Commissioner Mike Gleason said that locating the plant within the Yuma load pocket garnered his support. "This new, efficient power plant may mean that we can shut down some of the older power plants, which are more expensive to run during non-peak times."

Supporters of the project testified that it will bring much needed economic development to Yuma County by creating jobs and adding to the tax base.

###